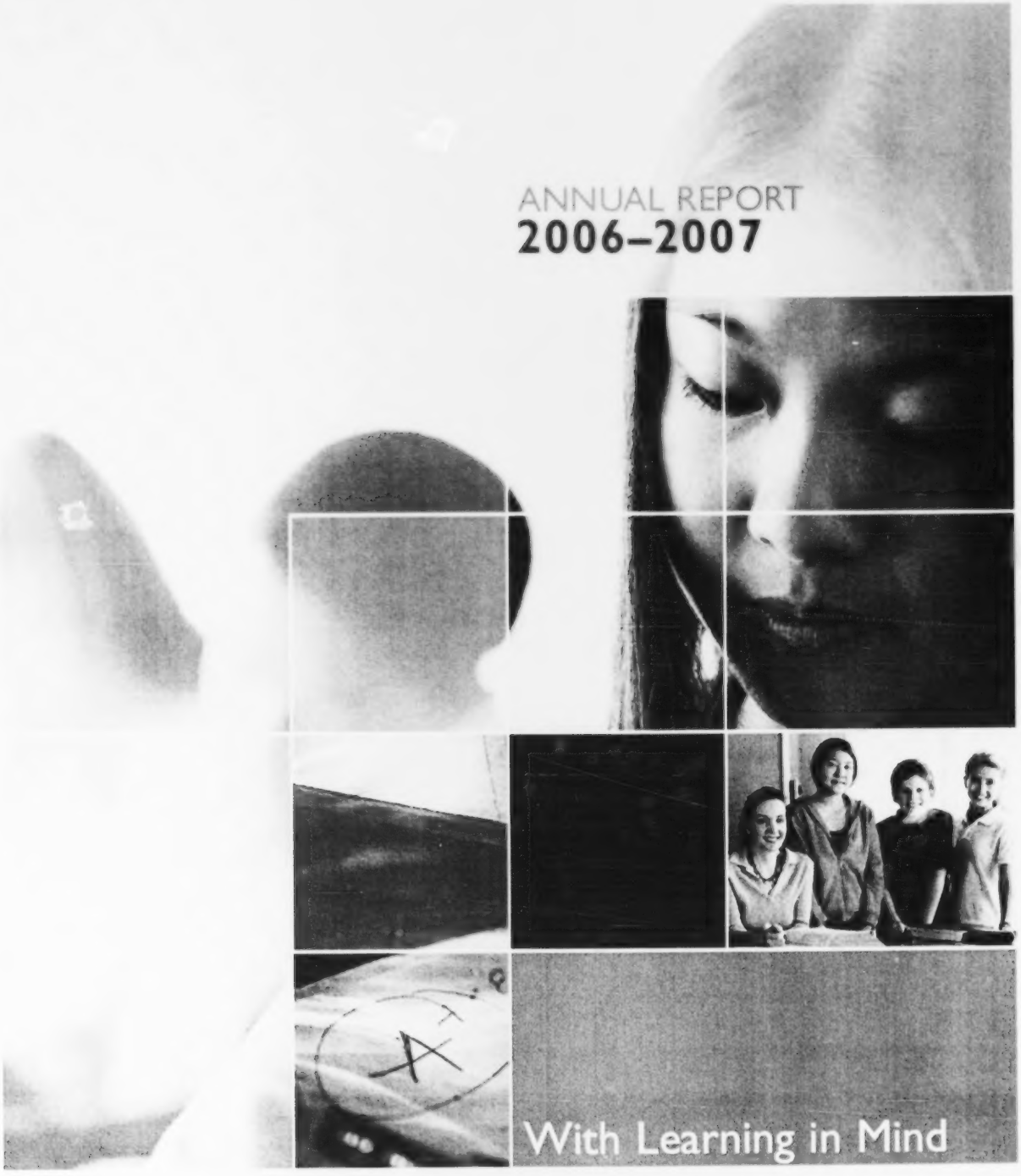
ANNUAL REPORT
2006–2007



Education Quality and
Accountability Office

EQAO

EQAO's Board of Directors 2006–2007

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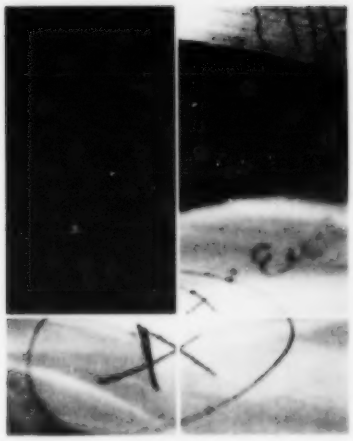
Marilyn Knox

Dr. Bette M. Stephenson

Catalyst for Continuous Improvement



The Education Quality and Accountability Office (EQAO) develops province-wide tests and administers them at key points in every student's primary, junior and secondary education, measuring students' performance in reading, writing and mathematics against established curriculum expectations. Continuous improvement requires continuous evaluation and measurement to deliver to young people their full entitlement—an education that develops each student to his or her fullest potential.

The test data show educators and government policy makers where the strengths and inequities in our public education system lie, and they provide evidence-based information that informs improvement plans for individual students, schools, school boards and the entire province.

The province-wide tests are, simply put, a catalyst for continuous and significant improvement at every level of our public education system. The results are both a window on achievement and a call to action.

This year, we focused on enhancing our processes with the extensive participation of Ontario's educators and in consultation with experts in the field of education testing and measurement. We improved our data delivery tools, which put the test data in the hands of teachers more quickly and in a more accessible form, to enable improvement plans to follow the assessment swiftly.

We are proud to support and engage Ontario's education community in enhancing the education experience for all students and helping to ensure their future success. Our commitment to literacy and numeracy shapes the life of every student and the future of our society. EQAO applies the same spirit of continuous improvement to our own practices and processes to ensure that our large-scale assessments continue to be an integral tool in the publicly funded education system.

Charles E. Pascal
Chair

Marguerite Jackson
CEO

Charles E. Pascal, Chair

Marguerite Jackson, CEO

Student Achievement at the End of the Primary Division

(Grades 1 to 3)

Unless otherwise noted, results refer to students and schools in Ontario's English-language system. Results for Ontario's French-language system can be viewed in the French version of this report.

This assessment measures the reading, writing and mathematics skills students are expected to have learned by the end of Grade 3. In 2005–2006, the percentage of Grade 3 students who performed at or above the provincial standard increased in all three areas, continuing the improvement trend over the past five years. During this period, the rate of success for reading increased from 50% to 62%; that for writing increased from 55% to 64%; and the rate for mathematics increased from 58% to 68%.

When the test was first administered in 1996–1997, only 39% of students achieved the provincial standard or above in writing.

Sample Question

Which statement about a rectangle is always true?

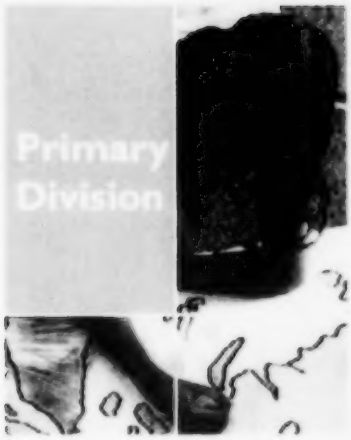
a It has a total of 3 sides.

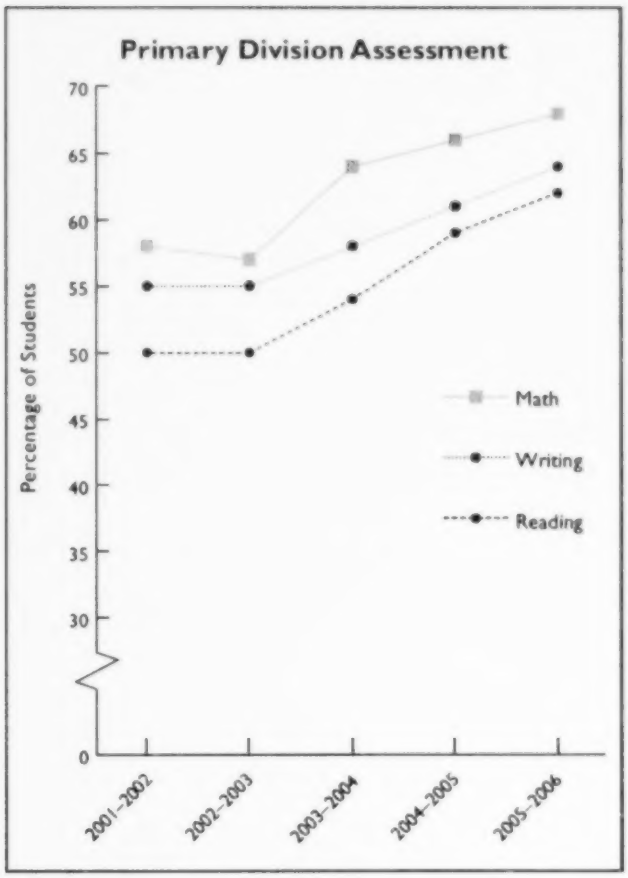
b Two sets of sides are parallel.

c It has only 1 line of symmetry.

d All sides are of equal length.

Primary Division





"There has been in-depth analysis of EQAO data, precise identification of the areas needing improvement and careful examination of trends over time. All of this informs daily instructional practices. The resources and activities used reflect the goals that have been set and focus on higher-level thinking skills."

Natalie Cameron, Principal, Bishop Macdonell Catholic School, Catholic District School Board of Eastern Ontario

Student Achievement at the End of the Junior Division

(Grades 4 to 6)

This assessment measures the reading, writing and mathematics skills students are expected to have learned by the end of Grade 6. In 2005–2006, the percentage of Grade 6 students who performed at or above the provincial standard continued its rise in all three areas. Over the past five years, the rate of success for reading improved from 55% to 64%; that for writing, from 53% to 61%; and the rate for mathematics, from 54% to 61%.

In 1998–1999, the first year the Grade 6 test was administered, only 48% of students achieved the provincial standard or above in reading.

Sample Question

Read the sentence below.

_____ funny to see the kitten clean _____ face.

Which pair of words correctly completes the sentence?

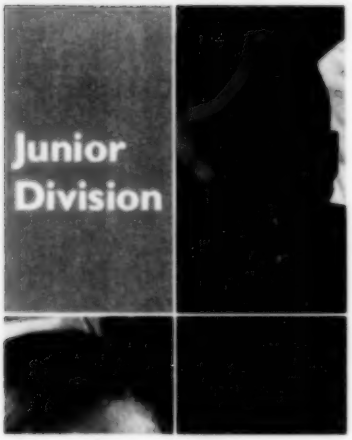
a Its, its

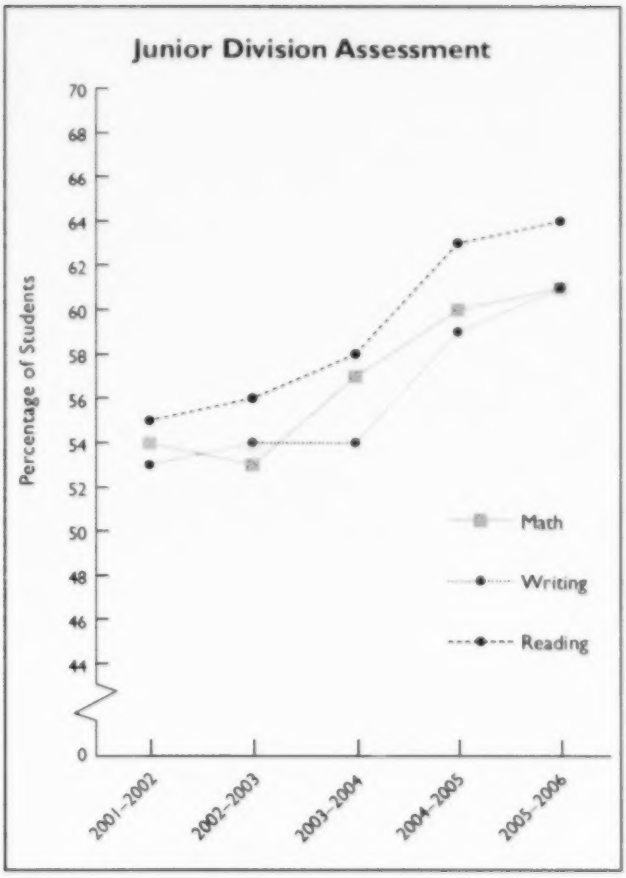
b It's, its

c Its, it's

d It's, it's

Correct answer: b





"EQAO is a valuable indicator of any child's ability to demonstrate their learning. Doing well on these tests has everything to do with the quality of focused instruction in the school."

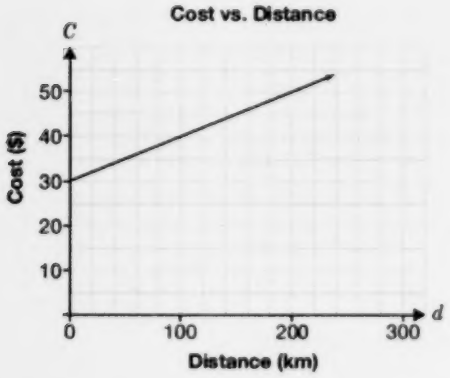
Kim MacDonald, Principal,
Courcelette Public School,
Toronto District School Board

Student Achievement on the Grade 9 Assessment of Mathematics

The Grade 9 assessment measures the mathematics skills students are expected to have learned by the end of Grade 9. In 2005–2006, 71% of students in the academic program performed at or above the provincial standard, up from 64% in

Sample Question

Which equation represents the line on the graph?



a $C = 0.1d + 30$

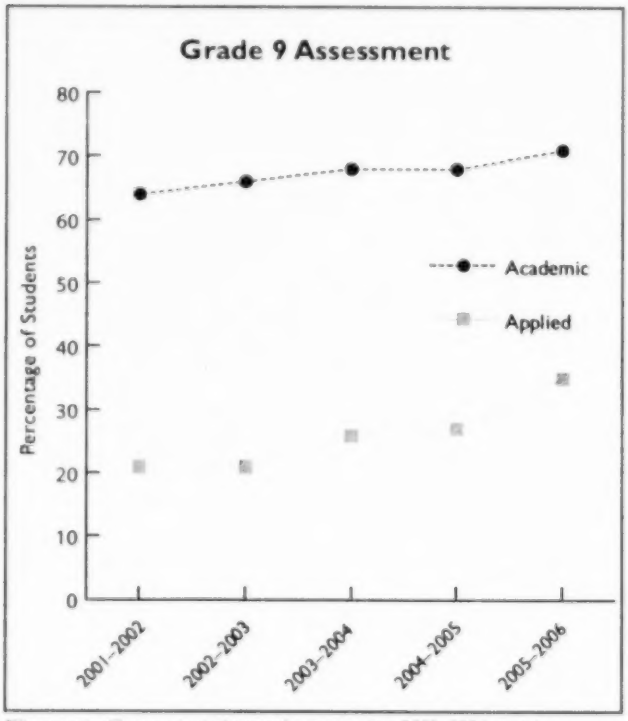
b $C = 0.4d + 30$

c $C = d + 30$

d $C = 10d + 30$

2001–2002. Also, 35% of students in the applied program performed at or above the provincial standard, up from 21% in 2001–2002.*

In the first year of Grade 9 mathematics testing (2000–2001), 49% of students in the academic program achieved the provincial standard or above. In the same year, only 13% of students in the applied program achieved the provincial standard or above.



*Please note: Changes in student performance since 2005–2006 must be interpreted in the context of significant revisions to the applied program courses in *The Ontario Curriculum, Grades 9 and 10: Mathematics*.

"The EQAO data has encouraged discussion around how to enhance instruction, what best practices are out there that can support our efforts and how to best assist students to demonstrate their understanding not only of the EQAO assessment but of the Ontario mathematics curriculum."

Wayne Hill, Principal,
Regiopolis-Notre Dame Catholic
High School, Algonquin and
Lakeshore Catholic District
School Board

Student Achievement on the Ontario Secondary School Literacy Test

The OSSLT measures whether a student's literacy skills meet the minimum standard for understanding reading selections and communicating in a variety of written forms, according to the expectations set out in *The Ontario Curriculum*. Successful completion of the test or of the Ontario Secondary School Literacy Course is one of the 32 requirements for an Ontario Secondary School Diploma.

In 2006, 84% of fully participating first-time eligible students were successful on the OSSLT. In February 2002, when the test

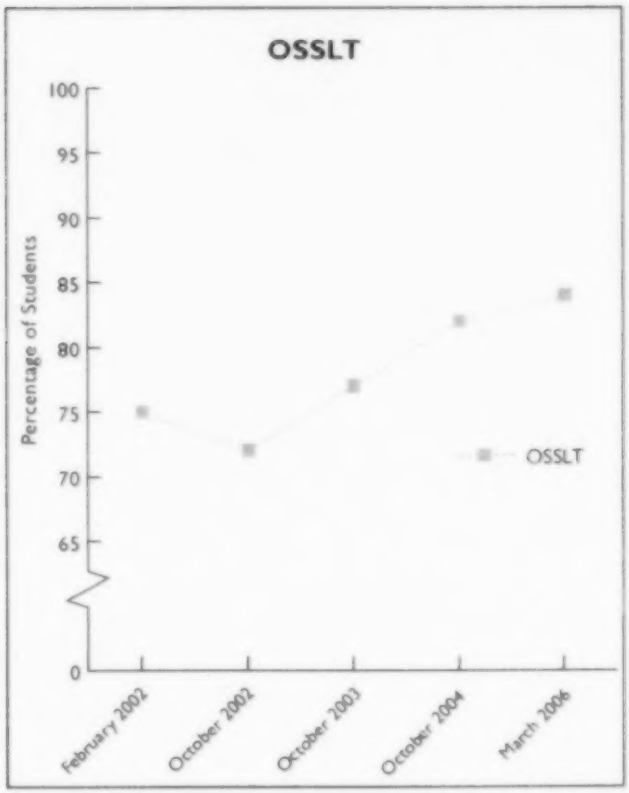
Sample Question

Choose the sentence that has correct punctuation.

- **a** **Kathys brothers grew up in Sudbury, but they didn't play hockey on the towns team.**
- **b** **Kathy's brothers grew up in Sudbury, but they didn't play hockey on the town's team.**
- **c** **Kathys' brothers grew up in Sudbury, but they didn't play hockey on the town's team.**
- **d** **Kathy's brothers' grew up in Sudbury, but they didn't play hockey on the towns' team.**

was first administered, 75% of first-time eligible students were successful.

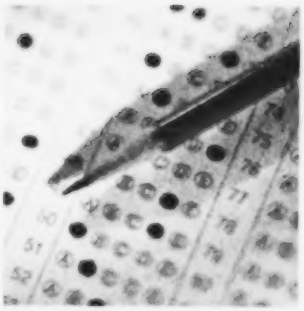
Literacy—reading, writing and being able to communicate—is key to every student's success at school and beyond.



"We use EQAO data as a benchmark. It's a guidepost to focus on individual student needs. We're not saying we have to increase our results by a certain percentage; we're saying we want every one of our students to be able to read, to have the necessary literacy skills that are so essential to moving forward in life. We're not letting the test drive us; we're using the results to improve, student by student."

Ron Witmer, Principal, Almaguin Highlands Secondary School, Near North District School Board

Best Practices in Large-Scale Assessment



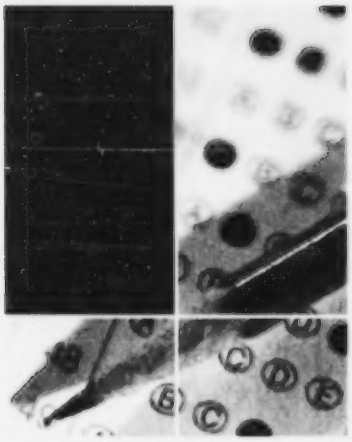
Scholars-in-Residence

Dr. Mark Reckase
Michigan State University

Dr. W. Todd Rogers
University of Alberta

EQAO is a leader in large-scale assessment programs, and its practices and processes are among the very best. In order to remain best in class, EQAO continuously works to implement best practices by reviewing, refining and improving its methods. This year, EQAO focused on implementing best practices by identifying emerging trends in large-scale assessment programs with the help of scholars-in-residence, professionals who provide objective feedback about our assessment practices. Experts for 2006 included Dr. Todd Rogers, a professor at the Centre for Research in Applied Measurement and Evaluation at the University of Alberta, and Dr. Mark Reckase, a professor of measurement and quantitative methods specializing in education at Michigan State University. EQAO also continues to work with a panel of national and international psychometric experts, which considers and advises EQAO on all aspects of the assessment cycle. In addition, EQAO maintains 100% alignment of primary, junior, Grade 9 and OSSLT test items with the content expectations of *The Ontario Curriculum*.

This focus on best practices ensures EQAO's assessment designs and methodology continue to be best in class for large-scale testing.



EQAO's Psychometric Expert Panel

Jeffrey Nellhaus
Deputy Commissioner of Education, Massachusetts Department of Education
Dr. Mark Reckase
Professor, Measurement and Quantitative Methods, Michigan State University
Dr. Don Klinger
Assistant Professor, Faculty of Education, Queen's University
Dr. Barbara Plake
Retired Director, Oscar and Luella Buros Center for Testing, Professor Emeritus, University of Nebraska-Lincoln
Dr. W. Todd Rogers
Professor, Centre for Research in Applied Measurement and Evaluation, University of Alberta
Dr. Dany Laveault
Professor, Faculty of Education University of Ottawa
Richard G. Wolfe
Associate Professor, Human Development and Applied Psychology, Ontario Institute for Studies in Education of the University of Toronto

"Gauging assessments over time, the school success team identifies trends and areas of improvement and challenge. Analysis of data has prompted staff to place added emphasis on strengthening writing skills, higher-order thinking and reading comprehension."

Susanne Bastable, Principal, Riverview Public School, Keewatin-Patricia District School Board

Engaging the Education Community

EQAO's Provincial Conference
December 2006

Supporting Ontario Educators

EQAO engages Ontario educators every step of the way from development to administration to scoring of the tests. In 2006, EQAO executed a robust and comprehensive program of collaboration and outreach that included the participation of 3500 French- and English-language educators in scoring and committee activities. The program also included speaking at several education conferences and stakeholder meetings on topics such as "Using EQAO Data to Inform Professional Practice," convening symposia entitled "What EQAO Assessments Tell Us About Student Learning" and "Celebrating Successes," and visiting 12 schools and 13 boards (French and English combined) to assist principals in using EQAO data to promote student learning.

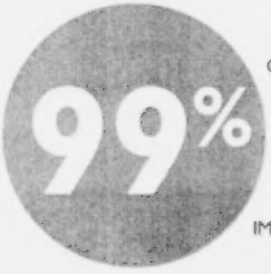
EQAO also organized the first provincial conference linking large-scale assessment results to the classroom, entitled "Supporting the Everyday Work of Schools." Its purpose was to enhance understanding of the value of large-scale assessment and its contribution to improved student learning, and to foster investigation, innovation and conversation among educators, panelists and EQAO.

Delivering Data That Inspire

In 2006, OSSLT results were provided to schools 10 weeks after the test. The primary, junior and Grade 9 results were reported to schools 11 weeks after the test. By shortening the time from the test to the results, EQAO enabled educators to incorporate results from the testing into their improvement planning strategies, student interventions and target setting for the current year. In fact, 99% of primary and junior English-language principals and 84% of secondary English-language principals surveyed affirmed that they use the previous years' assessment results to develop school and student improvement plans. In French-language schools, 97% of primary and junior and approximately 93% of secondary principals surveyed affirmed that they use the previous years' assessment results to develop school and student improvement plans.

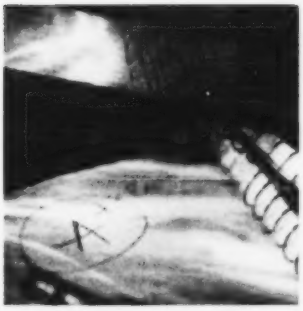
"I am quite impressed with the teachers who come to score [EQAO tests] and come to lead. In terms of the professional development aspect, I always take away something from this process."

Aldo Barovier, Teacher,
E.T. Crowle Public School, York
Region District School Board



OF PRIMARY AND JUNIOR PRINCIPALS SURVEYED USE PREVIOUS YEARS' EQAO RESULTS TO DEVELOP SCHOOL AND STUDENT IMPROVEMENT PLANS

Research to Support Student Learning



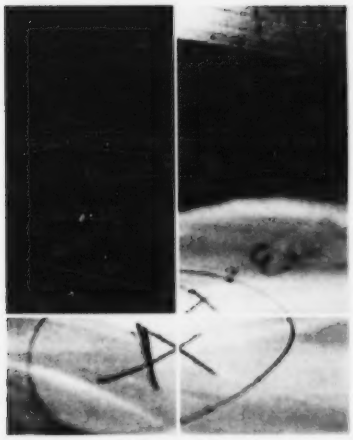
"The purpose of EQAO's research program is twofold: to develop the right instruments and best practices to keep EQAO in the forefront of large-scale assessment and to ensure EQAO data are used for their primary purpose—improved student learning."

EQAO Research Policy Statement

EQAO undertakes research focused on improving its large-scale assessment program, which enhances the information provided to schools and boards for improvement planning.

EQAO's ongoing research includes selecting appropriate scales, exploring psychometric issues, achievement gaps and accommodations for students with special needs, identifying test items relevant to the improvement of learning and tracking the EQAO achievement results of cohorts across grades to report on student progress.

Ontario educators on EQAO's Grade 9 Assessment of Mathematics range-finding committee:
Margaret Mason, Carolyn Gallagher and Susan Holt



National and International Assessments

EQAO coordinates Ontario's participation in national and international assessments on behalf of the Government of Ontario. These assessments provide information on how Ontario students' learning compares to that of students from across the country and around the world. This year, EQAO coordinated Ontario's participation in the following five national and international assessments:

- Pan-Canadian Assessment Program, 2007
- Programme for International Student Assessment, 2006
- Progress in International Reading Literacy Study, 2006
- Trends in International Mathematics and Science Studies, 2006
- Second International Technology in Education Study, 2006

Looking Forward

EQAO's large-scale assessment program is a best-in-class tool for measuring achievement at key milestones in a student's education. The data are objective and reliable and set in motion an annual process of reflection and action with the goal of continuous improvement.

EQAO is dedicated to continuing to work with the education community to ensure its test data are used to enhance classroom instruction, support improved student achievement and contribute to the ongoing increase in the quality and efficacy of Ontario's public education system.

The data trigger ongoing improvement, which means that EQAO's practices, processes and products are always evolving to support educators, students, parents and the general public better, and to increase these groups' access to and understanding of EQAO information.

In the coming months, EQAO will continue to build capacity for using data to improve student learning by providing teachers with an electronic magazine focused on fostering a better understanding of the assessments. The magazine will include specific examples of successful improvement strategies born out of the test data. EQAO is also making its tests available in new downloadable formats for use with a broader range of assistive technologies for students with special needs. Additionally, schools and boards will be provided with a new report that profiles their strengths and areas for improvement to assist in building improvement strategies for schools and boards and interventions for students.

About the Education Quality and Accountability Office

The Education Quality and Accountability Office (EQAO) is a catalyst for increasing the success of Ontario students by measuring their achievement of reading, writing and mathematics curriculum expectations. As an arm's-length provincial agency, EQAO plays a pivotal role by conducting province-wide tests at key points in every student's primary, junior and secondary education and reporting the results. This objective and reliable evidence adds to the current knowledge about student learning and is an important tool for improvement at the individual, school, school board and provincial levels.

Schools and school boards create their own reports of EQAO data for distribution to parents and others in their communities. EQAO posts school, school board and provincial results on its Web site (www.eqao.com).

EQAO is dedicated to working with the education community and to enhancing the quality and accountability of the education system in Ontario. This is achieved through student assessments that produce objective, reliable and relevant information, and through the timely public release of this information along with recommendations for system improvement.

Values

EQAO values student learning above all other interests.

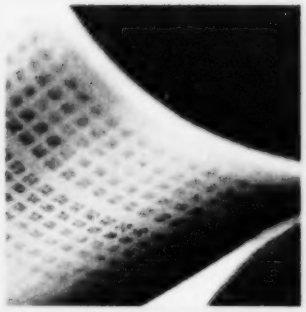
EQAO values information that has the potential to bring about constructive change and improvement.

EQAO values the dedication and expertise of Ontario's educators and works in partnership with them in all of its activities.

EQAO values the delivery of its programs and services with equivalent quality in both English and French.

Financial Report

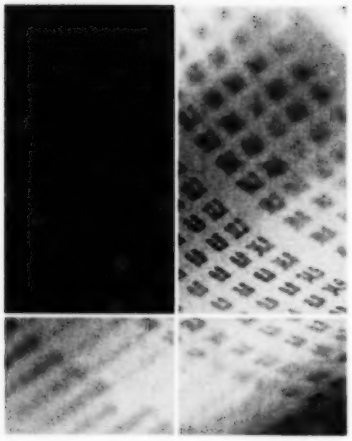
Year Ended March 31, 2007



Statement of Financial Position

March 31, 2007

	2007	2006
FINANCIAL ASSETS		
Cash	**$ 11,413,145**	$ 8,766,863
Board restricted fund	**2,766,657**	1,930,000
Accounts receivable	**276,937**	273,459
	14,456,739	10,970,322
LIABILITIES		
Accounts payable and accrued liabilities	**3,725,991**	3,430,808
Deferred revenue	**9,639,714**	7,317,899
	13,365,705	10,748,707
NET FINANCIAL ASSETS	**1,091,034**	221,615
NON-FINANCIAL ASSETS		
Prepaid expenses	**1,120,471**	1,003,757
Tangible capital assets	**555,152**	704,628
	1,675,623	1,708,385
ACCUMULATED SURPLUS	**$ 2,766,657**	$ 1,930,000



Statement of Operations and Accumulated Surplus

Year Ended March 31, 2007

	2007 Budget (unaudited)	**2007 Actual**	2006 Actual
REVENUE			
Ministry of Education			
Base allocation payments	$ 39,790,000	**$ 32,922,663**	$ 27,999,479
Other revenue	–	**865,025**	528,539
	39,790,000	**33,787,688**	28,528,018
EXPENSES			
Service and rental	22,341,640	**19,676,742**	15,101,017
Salaries and wages	10,851,001	**9,712,269**	9,344,386
Transportation and communication	5,209,304	**2,661,488**	1,566,778
Supplies and equipment	1,388,055	**900,532**	585,837
	39,790,000	**32,951,031**	26,598,018
ANNUAL SURPLUS	–	**836,657**	1,930,000
ACCUMULATED SURPLUS—BEGINNING OF YEAR	1,930,000	**1,930,000**	–
ACCUMULATED SURPLUS—END OF YEAR	$ 1,930,000	**$ 2,766,657**	$ 1,930,000

Full audited financial statements are available on the EQAO Web site, www.eqao.com, or by request at 1-888-327-7377.

WITH LEARNING IN MIND

Education Quality and Accountability Office

EQAO

Education Quality and Accountability Office
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Horwath Orenstein LLP

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Financial Statements

Year Ended March 31, 2007

Horwath Orenstein LLP
Member Horwath International

AUDITORS' REPORT

To the Board of Directors of Education Quality and Accountability Office ("The Agency")

We have audited the statement of financial position of Education Quality and Accountability Office as at March 31, 2007 and the statements of operations and accumulated surplus, net financial assets/(debt) and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for governments.

Horwath Orenstein LLP

Toronto, Ontario
May 18, 2007

Chartered Accountants
Licensed Public Accountants

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Financial Position

March 31, 2007

	2007	2006
FINANCIAL ASSETS		
Cash	$ 11,413,145	$ 8,766,863
Board restricted fund *(Note 5)*	2,766,657	1,930,000
Accounts receivable	276,937	273,459
	14,456,739	10,970,322
LIABILITIES		
Accounts payable and accrued liabilities	3,725,991	3,430,808
Deferred revenue	9,639,714	7,317,899
	13,365,705	10,748,707
NET FINANCIAL ASSETS	1,091,034	221,615
NON-FINANCIAL ASSETS		
Prepaid expenses *(Note 6)*	1,120,471	1,003,757
Tangible capital assets *(Note 7)*	555,152	704,628
	1,675,623	1,708,385
ACCUMULATED SURPLUS	$ 2,766,657	$ 1,930,000

ON BEHALF OF THE BOARD

Chair

Chief Executive Officer

See the accompanying notes

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Operations and Accumulated Surplus

Year Ended March 31, 2007

	2007 Budget (unaudited)	2007 Actual	2006 Actual
REVENUE			
Ministry of Education			
Base allocation payments *(Note 3)*	$ 39,790,000	$ 32,922,663	$ 27,999,479
Other revenue	-	865,025	528,539
	39,790,000	33,787,688	28,528,018
EXPENSES *(Note 4)*			
Service and rental	22,341,640	19,676,742	15,101,017
Salaries and wages	10,851,001	9,712,269	9,344,386
Transportation and communication	5,209,304	2,661,488	1,566,778
Supplies and equipment	1,388,055	900,532	585,837
	39,790,000	32,951,031	26,598,018
ANNUAL SURPLUS	-	836,657	1,930,000
ACCUMULATED SURPLUS - BEGINNING OF YEAR	1,930,000	1,930,000	-
ACCUMULATED SURPLUS - END OF YEAR	$ 1,930,000	$ 2,766,657	$ 1,930,000

See the accompanying notes

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Change in Net Financial Assets/(Debt)

Year Ended March 31, 2007

	2007 Budget (unaudited)	2007 Actual	2006 Actual
ANNUAL SURPLUS	$ -	$ 836,657	$ 1,930,000
Acquisition of tangible capital assets	-	(133,128)	(479,618)
Amortization of tangible capital assets	161,000	282,270	143,385
Write-down of tangible capital asset	-	333	-
	161,000	149,475	(336,233)
Acquisition of prepaid expenses	-	(1,120,471)	(1,003,758)
Use of prepaid expenses	-	1,003,758	287,970
	-	(116,713)	(715,788)
INCREASE IN NET FINANCIAL ASSETS	161,000	869,419	877,979
NET FINANCIAL ASSETS/ (DEBT) - BEGINNING OF YEAR	221,615	221,615	(656,364)
NET FINANCIAL ASSETS - END OF YEAR	$ 382,615	$ 1,091,034	$ 221,615

See the accompanying notes

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Cash Flows

Year Ended March 31, 2007

	2007	2006
NET INFLOW/(OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Annual Surplus	$ 836,657	$ 1,930,000
Items not affecting cash		
Amortization of tangible capital assets	282,270	143,385
Write-down of tangible capital asset	333	-
	1,119,260	2,073,385
Changes in non-cash items		
Accounts receivable	(3,477)	(210,383)
Accounts payable and accrued liabilities	295,183	(1,712,394)
Deferred revenue	2,321,815	5,526,330
Prepaid expenses (Note 6)	(116,714)	(715,787)
	3,616,067	4,961,151
CAPITAL		
Acquisition of tangible capital assets	(133,128)	(479,618)
	(133,128)	(479,618)
INVESTING		
Additions to board restricted fund	(836,657)	(1,930,000)
	(836,657)	(1,930,000)
INCREASE IN CASH	2,646,282	2,551,533
CASH - BEGINNING OF YEAR	8,766,863	6,215,330
CASH - END OF YEAR	$ 11,413,145	$ 8,766,863

See the accompanying notes

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements

Year Ended March 31, 2007

1. DESCRIPTION OF OPERATIONS

The Education Quality and Accountability Office ("The Agency") was established by the Province of Ontario by the "EQAO Act", June 1996. The Agency was created to assure greater accountability and to contribute to the enhancement of the quality of education in Ontario. This is done through assessments and reviews based on objective, reliable and relevant information, and the timely public release of that information along with recommendations for system improvement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles for governments, as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board of the CICA, reflect the accounting policies set out below.

Revenue Recognition

a) The Agency is funded by the Ministry of Education in accordance with established budget arrangements. These transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

b) Other revenue is recognized at the time the service is rendered.

Deferred Revenue

Certain amounts, including transfer payments from the Ministry of Education, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain amounts received, are used to pay expenditures for which the related service is yet to be performed, or are in excess of the expenditures actually incurred. These amounts are recorded as deferred revenue at period end.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tangible capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	3 years	straight-line method
Furniture and fixtures	5 years	straight-line method

For assets acquired or brought into use during the year, amortization is calculated from the month following that in which additions come into operation.

The Agency considers the carrying value of long-lived assets when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the Agency expects an asset to generate cash flows less than the asset's carrying value, at the lowest level of identifiable cash flows, the Agency recognizes a loss for the difference between the asset's carrying value and its fair value.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of capital assets. Actual results could differ from these estimates.

3. MINISTRY OF EDUCATION FUNDING

The Agency received base allocation payments in accordance with the year's approved budget. Actual expenditures incurred in the year are less than the budgeted amounts. The difference between base allocation payments received and actual expenditures incurred represents deferred revenue. A breakdown of revenue reported on the statement of operations is noted below.

	2007	2006
Gross base allocation payments	**$ 35,244,478**	$ 33,525,809
Allocation to deferred revenue	**(2,321,815)**	(5,526,330)
Ministry of Education - Base allocation payments	**$ 32,922,663**	$ 27,999,479

4. EXPENSES

There has been an increase in expenses compared to the previous year as a result of the Ontario Secondary School Literacy Test ("OSSLT") scoring being changed from fall 2005 to spring 2006.

5. BOARD RESTRICTED FUND

A Board Restricted Fund was established by a Board of Directors' resolution for the purpose of examining assessment processes and researching emerging methodologies in large scale assessment in order to maintain Ontario's high quality assessment programs as best of class. The fund is currently invested in a Royal Bank of Canada current account. The Agency has the authority to retain any revenue that is not provincial funding according to the EQAO Act, the Agency Establishment and Accountability Directive and the Financial Administration Act.

	2007	2006
Balance, beginning of year	$ 1,930,000	$ -
Appropriation of other income	755,117	1,930,000
Interest income earned on funds	81,540	-
Balance, end of year	$ 2,766,657	$ 1,930,000

6. PREPAID EXPENSES

These are expenses paid in cash and recorded as assets before they are used or consumed. The Agency has incurred the majority of its prepaid expenses for the following reasons:

a) A portion of the amounts paid to secondees for services which will be provided after year end

b) The Agency's contract with the Toronto Congress Centre ("TCC") requires the Agency to pay a deposit for their use of the facility after year end for scoring

	2007	2006
Prepaid secondees	$ 618,433	$ 534,024
Deposit to TCC	400,000	400,000
Other prepaids	102,038	69,733
	$ 1,120,471	$ 1,003,757

7. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2007 Net book value	2006 Net book value
Computer equipment	$ 902,220	$ 408,049	$ **494,171**	$ 609,130
Furniture and fixtures	178,419	117,438	**60,981**	95,498
	$ 1,080,639	$ 525,487	$ **555,152**	$ 704,628

Amortization of tangible capital assets recorded in the current year amounts to $282,270 (2006 - $143,385).

8. LEASE COMMITMENTS

The Agency leases premises under a long-term lease that expires on December 31, 2012. Under the terms of the lease, the Agency is required to pay an annual base rent which is pre-determined based on square footage rates plus operating and maintenance charges.

The minimum annual lease payments related to the office lease and office equipment for the next five years are as follows:

2008	$ 1,090,500
2009	1,067,000
2010	1,086,500
2011	1,107,000
2012	948,500
	$ 5,299,500

9. FINANCIAL INSTRUMENTS

The Agency's financial instruments consist of cash, board restricted fund, accounts receivable and accounts payable and accrued liabilities. The fair value of these financial instruments approximate their carrying values due to their short term nature.

It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

10. COMPARATIVE FIGURES

The comparative figures have been reclassified to conform to the current year's presentation. During the 2007 fiscal year, the Agency received direction from the Ministry of Education in its Memorandum of Understanding to follow PSAB accounting. Presentation changes are a result of the change in presentation format to comply with PSAB.

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